GOVERNMENT OF INDIA
COAL AND MINES
LOK SABHA

UNSTARRED QUESTION NO:4279
ANSWERED ON:17.12.2002
AVOIDABLE EXPENDITURE DUE TO NEGLIGENCE OF CCL
RAVINDRA KUMAR PANDEY

Will the Minister of COAL AND MINES be pleased to state:

(a) whether the avoidable expenditure of Rs. 65.35 lakh had to be made in the Central Coalfields Limited(CCL) due to thefailure of the company in timely submission of application for increase in Contract Demand (CD)which has been mentioned in para (3) of the Comptroller and Auditor General of India's Report,2001;

(b) if so, whether the said case was referred by the Comptroller and Auditor General of India in April 2002 and its reply was awaited till October,2002;

(c) if so, the details thereof and the reasons therefor; and

(d) the action taken by the Government in this regard?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF COAL & MINES AND MINISTER OF STATE IN THE MINISTRY OF LAW JUSTICE (SHRI RAVI SHANKAR PRASAD)

(a) to (d): The Union Government had received an audit para fromthe Comptroller and Auditor General of India (C&AG) officein April, 2001 on "Avoidable Expenditure of Rs.65.35 lakhsfor delay in revision of Contract Demand(CD)for electricity in CCL".The Action Taken Report(ATN) of the Department of Coal was sent to Audit in June, 2001. Meanwhile the draft audit para was included in the report of C&AGfor the year 2001-Union Govt.(Commercial)-No.2 & 3of 2001. Once again ATN of the Department of Coal was sent to the Audit for its vetting remarks in December, 2001. On the receipt of the vetting remarks of C&AGoffice, the Department has finally sent the ATN duly incorporating the vetting remarks of Audit to the Committee on Public Undertakings(COPU), Lok Sabha Sectt. in July, 2002 for their information and consideration. A copy of the ATN sent to COPU is annexed.

Annexure

Annexure referred to Lok Sabha Unstarred Q.No. 4279 for answer on 17.12.2002 asked by Shri Ravindra Kumar Pandey.

DEPARTMENT OF COAL

ACTION TAKEN NOTE (ATN) ON CENTRAL COALFIELDS LIMITED

Para No. 15.2.3 of 2001 - Avoidable expenditure of Rs.65.35 lakhs in CCL.

Audit Observation

The Bokaro-Kargali(B&K) Area of the company had acontract demand (CD)of 20MVA of electricity from Damodar Valley Corporation(DVC)since June,1989, with a provision for revision of CD by giving a 12 months notice. In case the actual demand recorded was more than the CD, the company was liable to pay electricity charges at penal rates for the demand in excess of the CD. The actual demand recorded had crossed the CD limited 6 times over the period of 44 months from January 1990 to August 1993 and exceeded the CD limit repeatedly from September,1993 and the Company had to pay electricity charges at penal rates in 8 months out of 12 months following September 1993. The Management failed to initiate any corrective action and continued to pay electricity charges at penal rates for the demand in excess of CD till February 1998, when at the instance of Audit, the Company approached DVC for upward revision of CD with effect from April 1998 . The enhanced limit of CD wasmade effective from June,1999. The incidence of penalty stopped since then. Had the Company taken action for enhancing CD in October 1993 they could have saved penal charges paid from October 1994 to May,1999 amounting to Rs. 65.35 lakh.

The Management stated (May,1999), inter alia, that inspite the persistent follow up, the DVC authority expressed their inabilityto enhance the CD due to line constraints. However, with the help of the re-distribution of load, the penalty was avoided since January,1999. The reply is not tenable as the Management and applied for enhancement of CD only in February,1998 that too after it had been pointed out by Audit and the line constraints surfaced in 1998. It is also not a fact that penalty was not paid from January 1999 as the company paid electricity charges at penal rates even in March, April and May,1999.

Thus, the lackadaisical approach of the Management towards the assessment of demand for electricity and delay in service notice for enhancement of CD led to the avoidable expenditure of Rs. 65.35 lakh.

The matter was referred to the Ministry in April.2000; their reply was awaited(October,2000).

Reply of Department/CCL

Avoidable expenditure of Rs. 65.35 lakhs in CCL-Work of the construction of new line for re-distribution of load and sub-station could be completed by May,1999 and since the completion of the activity, no penalty on exceeding the contract demand has been levied. The DVC was requestedfor increasing the contract demand commensurating with out requirement in the year 1992 itself. The position is again elaborated herein below.

CCL/CIL had been pursuing DVC to make arrangements for taking careof the anticipated load growth in its B & K area since, Jan,92. DVC was being requestedin almost all the co- ordination meetings between CCL/CIL withDVCto make two separate feeders at Kargali by way of constructing one no. bay at DVC's BTPS sub-stn. & drawing a separate 33 KV OH Line between the sub-stn & drawing a separate 33 KV OH Line between the Sub stn. & Loc 15 for enabling it to draw more power.

These issues were also discussed at the meetings taken by Chairman, CILwith DVC. Moreover, CCL also requested DVC todraw a 33 KV OH Line to another Location(karo)of B & K area so that anticipated increase of load of 4 MVA could be catered to by way of re-organisation of load by CCL.

Although the line to Karo was completed by DVC andstarted operation during April. 1996 but penal demand charges could not be totally eliminated because the line capacity of DVC toKargali was inadequate to meet the total power requirement of CCL at this receiving point.

However, DVC intimated only April,1998 that CCL's request for enhancement of CD cannot be agreed because of line constraints.

The above mentioned duplications of OH line and bay at DVC BTPSsub stn. Were completed by DVC during April/May1999 and CCL's request for enhancement of CD to 22 MVA at Kargali point of supply was agreed by DVC subsequentlyand payment of penal demand charging stopped since then.

As such, it may kindly be appreciated that CCLwas all alongwith pursuing with DVCfor enhancement of C D and therefore, CCL should not be held responsible for the delay in completion of the work by DVC.

DVChas already been requested to refund /adjust penal demand charges made during the period October 1994 to May,1999 in respect of Kargali point of supply.

In fact, DVC should not have imposed any penalty asrequest for enhancement was made in time and accordingly, we have also taken up for waival/adjustment of this penalty amount and there was no default on the part of CCL in taking timelyaction for enhancing the contract demand. It is not a fact as stated in the audit para that Management has applied for enhancing the contract demand only February,1998. This will be evident also from the earlier minutes of the meeting held with DVC authoritiesas also from the correspondence with them in this regard.

It may kindly be further appreciated that the disputed energy bills were required to be paid to DVC underprotest without which the power supply could have been discontinued. As such, CCL had no other option except to make the payment of such bills under protest and take up with DVC for refund/adjustment which is exactly being done by CCL.

It is further informed that the said disputed amount has been withheld from the gross energy bill of DVC for the month of January,2001 in line with GM(E&M),CCL instruction.

Vetting remarks of Audit.

No comments, however no final settlement regarding adjustment regularisation of the penal demand charges has been made till date.